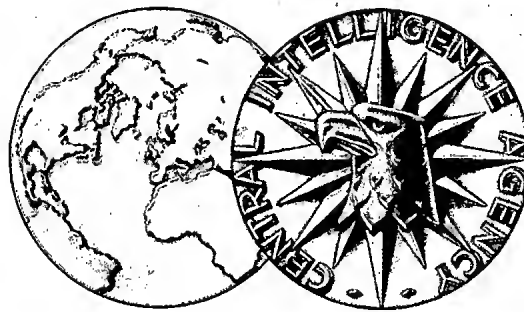


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COPY NO. 81

WEEKLY SUMMARY



Number 37

11 FEB 1949

Document No. ~~57~~ 1
NO CHANGE in Class. ☐
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Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
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SECRET**H I G H L I G H T S**

One of the consequences of the Soviet propaganda "peace offensive," which reached a climax last week in Premier Stalin's press interviews, has been to focus the attention of the world upon the line to be taken by the Soviet representatives at the Austrian peace treaty negotiations which began in London on 9 February. This attention may be one of the considerations that has motivated the Kremlin to make the prospects for an Austrian settlement look brighter by seeming to be willing to accept Austria as a "neutral" in the east-west division (see page 7). More material considerations, including the possibility of exploiting Austria as a channel for east-west trade, are also bearing upon the apparent Soviet desire to modify the status quo in Austria. Meanwhile, reports continue to indicate that the USSR is forming an eastern European military organization in order to tighten its control over Satellite military establishments (see page 9).

The Egyptian-Israeli negotiations at Rhodes remain deadlocked over general principles. Confronted with basic disagreement, the representatives have turned their attention to technical details, apparently in the hope that a comprehensive armistice can be built up piece by piece (see page 13). In general, Arab-Israeli relations continue to follow the well-established pattern: the Arabs, divided and vacillating; the Israelis, organized and determined (see "Israeli Tactics in Jerusalem," page 19).

The Chinese situation is still confused and unresolved. While the uncoordinated moves of the Nationalists give every sign of indecision and disintegrated leadership, the Communists continue to mass forces above Nanking (see page 15). Meanwhile, Nationalist efforts to build a bastion on Taiwan are threatened by a growing native resentment against Chinese "police state" methods (see page 15).

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SECRET**GENERAL**

Asian Developments Postwar political and economic development in Asia appears to be entering a new phase that promises to raise serious problems for the UN as well as for the western powers which are already engaged in curbing Soviet expansion in Europe. In addition to the effect on the world balance-of-power resulting from the Communist victories in China, the Indonesian dispute has already forced the UN to intervene actively in the explosive colonial question; the Asian nations in the recent New Delhi Conference have taken the first tentative steps toward the creation of an Asian bloc; and the USSR apparently is taking further steps to exploit its potentialities in Asia for the expansion of world Communism.

UN Colonial Problem Although the Security Council action on the Indonesian question is the first instance of active political intervention by the UN in a colonial dispute, equally thorny colonial problems will plague the UN as a result of rapid strides toward independence in other colonial areas of Asia and Africa. UN involvement in colonial affairs will increase as: (1) open conflicts between European states and their dependencies create threats to the peace; (2) colonial peoples turn to the UN for aid in their struggle for independence; and (3) the western powers utilize the UN both to prevent anti-colonial powers from by-passing the UN and to reduce Soviet potentialities for exploiting colonial unrest. The UN, however, if called upon to deal with areas in which the major powers have colonial interests, may not have even the limited success achieved in the case of Indonesia. France and the UK may use their veto power to curtail effective UN action and the USSR may likewise obstruct constructive efforts to achieve amicable, effective solutions.

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Asian Bloc Greater regional cooperation among the Asian nations, as forecast by the January Asian Conference on Indonesia, will also increase the pressure on the UN to intervene in the colonial problem. Because states represented at the New Delhi Conference comprise almost one-third of the UN membership, the UN is already under considerable pressure in meeting Asian demands for Indonesian independence. Failure of the SC to follow through in the Indonesian case will result in loss of prestige for the UN throughout Asia and in renewed agitation for independent action by the nations which participated in the recent Asian Conference. Such a development, which would be accompanied by a rise in anti-colonial feeling, would seriously affect US security interests because Asian leaders will almost inevitably associate the US with the western colonial powers. Although the Kremlin is opposed to the development of an Asian bloc which it cannot control, any increase in anti-colonial agitation in Asia would be energetically exploited by the USSR.

Communist Labor Meanwhile, the USSR is intensifying its efforts toward the expansion of the world Communist movement in Asia and the Middle East through the more "reliable" tactics of organizing Communist-dominated labor and youth movements. The World Federation of Trade Unions, now operating without US, British, or Dutch national representation, has called for an All-Asiatic Labor Conference to be held in Peiping in May (see Article, page 22). Reported adoption of a \$1,500,000 budget to finance travel and propaganda expenses of the Conference highlights the importance attached to it by the WFTU Communist leadership. In its timing, this Conference may be designed to offset the forthcoming Indore conference scheduled by the India National Trade Union Congress

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in an attempt to organize a non-Communist Asian labor group. In a simultaneous move, the WFTU has authorized immediate affiliation of Japanese trade unions. The WFTU's organizing drive in the Orient will be paralleled by those of the Communist-controlled World Federation of Democratic Youth and the International Student Union. These two organizations have increased their membership in South-east Asia to seven million and are likely to make additional gains at the forthcoming Asian Youth Conference in Calcutta.

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SECRET**W E S T E R N E U R O P E**

The current Soviet "peace offensive" against the Atlantic Pact is causing varied reactions among the nations interested in such a pact. In virtually all western nations, there was considerable relief when the US did not fall into the Soviet trap for US-USSR talks which could have led to bilateral decisions.

Norwegian Reaction Norway became the "whipping boy" for the Soviet propagandists with the delivery of the Kremlin's protest against Norway's participation in the Atlantic Pact, although the threat was intended for all of Scandinavia. Despite the continuing Soviet charges against Norway for its consideration of the pact, Norwegian public opinion continues to support the present line of the Government. Norway has not yet replied to the Soviet offer for a non-aggression pact. Norway could offer to sign such an agreement, provided it remained free to join the Atlantic Pact, although such an offer would probably be unacceptable to the USSR.

Soviet Intentions If the Kremlin is unsuccessful in frightening Norway into avoiding the Atlantic Pact, the next Soviet step may be to bring the entire matter of the Pact before the United Nations as a threat to world peace. Much of the Soviet propaganda and maneuverings is apparently designed to create the impression that: (1) the west is responsible for current tension in the world; (2) the Atlantic Pact is an aggressive alliance; and (3) Soviet counteraction is therefore justified. Although the USSR can hardly hope for favorable UN action on such a charge against the west, the Kremlin may feel that UN consideration might: (1) delay implementation of the pact; (2) discourage prospective members; (3) force modification of the pact terms; and (4) detract world attention from unfavorable UN action on the Berlin issue. If

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the UN threw out the Soviet charges as groundless, the USSR could renew its charges that the UN is nothing more than a tool for the US Department of State.

Irish Attitude Although Ireland's leaders are becoming more and more aware that in a future conflict Ireland's lot must be cast with the west, they have said that the partition issue will make it impossible for the government to join any military alliance with the UK. Sometime in the near future, however, perhaps with the formal signing of the Atlantic Pact, the Irish Government may proclaim its ideological alignment with the west.

Icelandic Views The tenure of Iceland's coalition Cabinet, which has been constantly threatened by inter-party disagreement over deflationary policy, is now further jeopardized by the intra-party divisions on the conduct of foreign affairs. Left-wing and isolationist elements in the various parties, heretofore relatively quiet, have joined forces with the Communists in vigorous opposition to the Atlantic Pact. The formation of the present non-Communist government in 1947 was made possible only by voluntary quiescence of the left-wing factions of the Cabinet parties; an end to this arrangement could easily bring about the downfall of the Government.

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FRANCE

Election Prospects If the present political truce between government parties, as well as favorable economic trends, continues in France, the Queuille coalition Government not only may last until the cantonal elections in March but may profit by them. Although political cooperation between the third-force parties is not completely assured, recent Socialist and Popular Republican decisions indicate that these parties may agree on election tactics in an attempt to defeat the Communists and De Gaulle's Rally of the French People in the coming elections. In addition, apparently favorable response by the French to the latest government loan indicates that the public has begun to believe the inflation has about run its course. Continued success of the Government in overcoming its economic and political problems and in presenting a united front to the extremes of Right and Left will tend to keep submerged the basic differences among its constituent parties on such issues as French Indochina, subsidies to church schools, and a planned economy.

AUSTRIA

Austrian Peace Treaty Prospects for agreement on an Austrian peace treaty during the current London negotiations have improved as a result of apparent Soviet willingness to accept Austria as a neutral in the east-west lineup. The peace treaty terms, however, would have to meet the Soviet definition of neutrality: namely, an Austria impotent to threaten Soviet security and incapable of contributing substantially to western economic and defensive planning. Soviet policy toward Austria during the past six months has been marked by comparative restraint and moderation, suggesting that the USSR has abandoned any

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AUSTRIA

hope of obtaining control over Austria by the aggressive tactics currently being employed in Germany. Moreover, the USSR probably realizes that continuation of the status quo in Austria will prevent further Soviet gains there. Consequently, the Kremlin may calculate that a weak Austria--even though non-Communist--would not threaten the Soviet security position and would provide the USSR with unique opportunities for using Austria as a means of promoting east-west trade. During the London negotiations, however, the USSR will strive to gain every possible advantage and will not hesitate to break off negotiations if the western powers insist on terms which, in the Soviet view, will enable an independent Austria to contribute materially to western economic and defensive strength.

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SECRET**E A S T E R N E U R O P E**

Soviet Military Bloc . Although the USSR has already established a military alliance with the Satellite states through an interlocking network of mutual assistance pacts, persistent reports emanating from eastern Europe indicate the formation of an eastern European military bloc to counter the establishment of the North Atlantic Pact. Speculation regarding such a move by the Kremlin has been intensified by the mysterious visit of Vishinsky to Czechoslovakia, as well as by the reported presence there of Gromyko, Zorin, the Polish Communists Berman and Zawadzki, and Soviet Ambassadors from the Satellites. Other reports place the Hungarian Minister of War and high-ranking Czechoslovak and Polish military officials in Moscow for planning of a similar nature. The formation of such an east European military organization would enable the USSR to exert more direct control of "unreliable" Satellite military establishments and would improve the morale of the Satellite Communist regimes which are becoming increasingly concerned over growing economic stability, political cooperation, and defensive preparations in western Europe.

HUNGARY

Nationalized Church Formation of a so-called "independent" Catholic Church will probably be the next Communist step in divesting the Church of its power in Hungary. Communist domination of the Church is already virtually assured. Cardinal Mindszenty and nine of thirteen members of the Bench of Bishops are either under arrest or about to be arrested; all Church officials, including village priests, are on the state payroll; Catholic schools are nationalized. The Government will probably use Mindszenty's

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HUNGARY

letter urging an agreement between the Roman Catholic Church and the state to force concessions from the four remaining bishops and, eventually, to produce a national church without contact with Rome.

TRIESTE

Soviet Intentions Communist tactics to acquire control of Trieste may be undergoing revision. Recent statements by pro-Cominform Communists suggest that the USSR has abandoned its previous support of an independent Trieste and no longer is pressing for the appointment of a governor by the UN. Such a reversal in tactics may have been prompted by the belief that the USSR can better accomplish both its immediate and long-range objectives in Trieste by: (1) eliminating US-UK military government and occupation troops; and (2) agreeing with the western-power proposal for the return of Trieste to Italy. Lacking any present incentive to support Tito's claims to Trieste, the Kremlin also may believe that if Trieste were Italian, the Communists could gain more effective control of the city by penetration of local governmental machinery.

GREECE

Markos Dismissal The purge of General Markos by the Politburo of the Greek Communist Party (KKE) should have the principal effect of assisting the internationalist, or pro-Cominform, wing of the party under Zachariades in completing its domination over the guerrilla movement. Markos has been virtually the only important leader of the nationalist clique in KKE since

SECRET**GREECE**

the spring of 1947, when his most prominent fellow-nationalists, Siantos and Zevgos, died mysteriously; particularly in his role of military spokesman for the guerrillas, Markos may have resisted the growing Kremlin pressure to steer clear of commitments to Tito. Markos' relief from command will probably have little immediate effect on guerrilla tactics or capabilities in the field. Markos has reportedly never had much more than a symbolic role as a military leader and, in any event, there are indications that he has been in virtual retirement since last summer's Grammos campaign. Moreover, Yugoslav support for the guerrillas, particularly by the pro-Tito Greek Slavo-Macedonian irregulars, has already lessened. The fact that Markos was dropped on grounds of illness, rather than for failure or deviationism, suggests that Zachariades hopes to effect a reduction in anti-Cominform influence among the guerrillas quietly, without antagonizing Tito into ceasing all cooperation with the Greek rebels. One remaining possibility, however, is that the Markos dismissal, while immediately effecting a closing of ranks within KKE, may in the end react against it by giving Tito cause for cutting off support of the guerrillas and sealing the Yugoslav border against them.

YUGOSLAVIA

Economic Sanctions Moscow-dictated economic sanctions against the Tito regime will seriously curtail Polish and Hungarian trade with Yugoslavia during 1949. As a consequence, Yugoslavia's trade with Poland will be cut by 73% below the 1948 figure, and trade with Hungary will be cut by an estimated 40%. Because Poland still needs to exchange its coal for Yugoslav raw materials, the cut has clearly been made at Kremlin direction. Similarly,

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YUGOSLAVIA

the Hungarian Trade Mission to Moscow returned with instructions to reduce its trade with Yugoslavia. The mission also received orders for re-routing all Hungarian rail traffic in such a way as to avoid Yugoslavia. In its efforts to compensate for the loss of considerable eastern European trade and as a measure for reestablishing closer economic relations with the west, Yugoslavia has just appointed a top-flight economic official (Assistant Minister of Foreign Trade and former Minister of Heavy Industry) to the US with the rank of Minister. Yugoslavia has thus indicated its eagerness to obtain US industrial equipment. The routine character of the announcement, however, suggests that Yugoslavia is attempting to disguise its eagerness and to avoid having to make political concessions in order to receive US economic assistance.

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SECRET**N E A R E A S T - A F R I C A**

Rhodes Deadlock The Egyptian and Israeli representatives at Rhodes, unable to agree on any general armistice principles, appear to be concentrating on technical details, presumably in the hope that agreement on details will add up to a comprehensive armistice. It is unlikely that this inverted procedure will lead to a satisfactory solution. Moreover, the other Arab states have reached no decision on how to deal with Israel in the present uncertain situation. Despite Transjordan's announced eagerness to negotiate, it is waiting to see how the Egyptians make out at Rhodes. Lebanon is reluctant to institute negotiations so long as Israeli forces remain in southern Lebanon. Syria seems unwilling to negotiate under any conditions. Iraq has asked Transjordan to represent it in whatever negotiations take place, but it probably will not feel bound by commitments made on its behalf. Saudi Arabia and Yemen are silent on the question, and Israel declares that it has no differences with either of them. Meanwhile, Israel's extension of its civil administration to Jewish Jerusalem and its announced intention of holding the Constituent Assembly there are regarded as preliminary to incorporation of certain sections of the city into the Jewish state, notwithstanding the UN's resolution that Jerusalem be internationalized (see Article, page 19). Thus the old picture of Israeli determination and Arab vacillation has not changed.

IRAN

Effects of Shooting The attempt to assassinate the Shah has provided his supporters with an opportunity to clamp down on troublesome leftist and rightist opponents of the court and the government. The pro-Soviet

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SECRET**IRAN**

Tudeh Party, to which officials claim the assassin belonged, has been outlawed and the politically ambitious religious leader, Mullah Kashani, and some of his henchmen have been arrested, although neither has been clearly implicated in the attack. Altogether some 500 persons have been reportedly arrested and 60 newspapers suppressed, and the army will probably further tighten security controls throughout Iran. The attempted assassination will also affect the Majlis, which almost certainly will now be confronted with renewed attempts by the Shah to obtain constitutional reforms granting him greater powers.

ISRAEL

Jewish Immigration Increasing control by Satellite governments of Jewish immigration from Soviet-controlled areas will probably result in a substantial reduction in Jewish immigration into Israel. After the war, the Zionist movement was able to draw upon all Europe for resettlement of DP's in Palestine; since the end of the British Mandate, the new Israeli Government has had to rely chiefly on Satellite countries to increase the Jewish population in Palestine. Until recently, Zionist agencies controlled emigration from the Satellite states. By the close of 1948, however, the Satellite governments had started to take over supervision of emigration. In Rumania, emigration has been restricted to Communist-indoctrinated Jews and the Polish Government has severely restricted all emigration. In the other Satellites, Zionist organizations are being subjected to increasing governmental interference. The net effect of these restrictions will be to reduce Jewish emigration to Israel. Trusted Satellite Communists, moreover, will not wish to emigrate from lands where they are in favor, and the majority of those who are permitted to depart will be more pro-Israel than pro-Soviet, despite their alleged Soviet indoctrination.

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SECRET**F A R E A S T****CHINA**

Nationalist Confusion During a week marked by various Nationalist attempts to open peace negotiations with the Communists, the Communists continued to mass their columns in an area above Nanking from which they can easily cross the river to occupy the major cities of the Yangtze delta as soon as the Nationalists complete their withdrawal. Nationalist intents and purposes in their conduct of the civil war were made even more hazy by the dispatch of Chang Chih-chung to China's Northwest, reportedly to approve a "local agreement" of 40 to 50 years duration between the USSR and the Sinkiang government (see Article, page 20). Meanwhile, conflicting reports of what various local Nationalist commanders will do in the face of superior Communist forces provide an accurate measure of the indecision and confusion existing in various levels of the Nationalist command hierarchy. It is evident, however, that the majority of Nationalists, military and civilian alike, agree that Li Tsung-jen's present peace overtures will accomplish little toward ending the civil conflict.

Taiwan Unrest Although Nationalist elements are becoming more firmly established in Taiwan, growing native resentment against the recently-appointed Nationalist governor and his use of "police state" methods may lead to either a popular revolt or damaging sabotage against Nationalist efforts to build a bastion on the island. Increased Taiwanese discontent under Nationalist rule, barring effective countermeasures by the US, would lead the natives to turn to the mainland Communists as their last resort in their fight against Nationalist oppression. So long as Taiwan's status

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CHINA

remains in doubt, anti-US sentiment will continue to grow both among the Taiwanese and the Nationalist elements. Chinese Nationalists are already beginning to resent the US delay in providing aid in the preparation for a last-stand fight against the Communists, and the native Taiwanese are finding fault with the US for doing nothing to block what they consider to be an abortive Nationalist attempt to survive a little longer at the expense of Taiwanese freedom and property.

INDONESIA

New Dutch Proposal Exploratory talks concerning a new Dutch plan for the transfer of Nether-lands sovereignty to an Indonesian Federation are being conducted at an all-Indonesian meeting on the island of Bangka. Acceptance of the Dutch proposal by the conferees (both Republican and Federalists were represented) would greatly accelerate Dutch and Security Council timetables for elections and for the transfer of authority to a new Federation. Republican leaders remain skeptical, however, and regard the plan as a Dutch device to circumvent the 28 January SC resolution calling for the reestablishment of Republican sovereignty in Indonesia. They have declined to participate in formal negotiations with the Federalists until they have been granted recognition as representatives of a reconstituted Republican government and unless the UN supervises the negotiations. The Federalists, moreover, hesitate to commit themselves to a specific course of action until it becomes clear whether the Dutch or the Republicans are gaining the upper hand in Indonesia.

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W E S T E R N H E M I S P H E R E

CANADA

Newfoundland Bases Although Canadian policy , as a rule, requires that all US military forces stationed in Canada be commanded by Canadian officers, an exception will probably be made in the case of US bases in Newfoundland. Certain Canadian officials have indicated informally that they would prefer to see no change in the operation of US bases there after Newfoundland becomes a Canadian Province on 1 April. However, the Government may feel it necessary to establish some nominal Canadian control over the bases, if only to satisfy the demands of the opposition for assurance of Canadian sovereignty.

CARIBBEAN

Caribbean Bloc Current Cuban efforts to form a "spiritual and intellectual" bloc of Caribbean "democracies" to oppose the area's "dictatorships" will not directly affect US security interests but may have a divisive effect on attempts to solve certain Western Hemisphere problems by joint inter-American action. Sparked by President Prio of Cuba, the proposal was favorably received in Costa Rica, Guatemala, Mexico, and by the former Venezuelan government and has the support of the Committee for Democratic Union of the Caribbean and of a militant Cuban veterans' organization, which have demanded a "general spiritual mobilization" against the Dominican Republic to be expressed in severing Cuban-Dominican diplomatic relations. In sponsoring such a bloc, President Prio is probably attempting to:

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CARIBBEAN

- (1) give propaganda support to the Caribbean Legion in its struggle against the Somoza regime in Nicaragua; and
- (2) emphasize Caribbean problems as distinguished from South American problems.

BRAZIL

Coffee Production The continued reduction in Brazilian coffee production, which provides one-third of Brazil's foreign exchange, will seriously dislocate the nation's economy. Curtailed by the Government in the 1930's to avoid overproduction, the coffee plantations are now suffering from a widespread coffee-plant disease. Coffee planters will seek aid from the Government, whose rigidly constricted finances will be further burdened to save the country's chief industry.

SECRET**ISRAELI TACTICS IN JERUSALEM**

Current Israeli tactics to achieve the incorporation of the Jewish sections of Jerusalem into the new Jewish state are apparently designed to forestall implementation of the UN proposal to internationalize the city. While Jerusalem was isolated by Arab forces from the rest of Israel, the majority of Jews in Jerusalem reportedly favored the UN proposal. Only the independent Irgun and Stern Gang fighters insisted that the city must become the capital, and hence an integral part, of Israel. As Israel's strength increased following the first UN truce, however, the incorporation of Jerusalem within Israel became increasingly popular among Jews generally. A Jewish Military Governorship was established and improvements were made in the communications between Jerusalem and Tel Aviv, including the building of the "Burma Road" to bypass Arab-held Latrun. Subsequently the Jews were reported to have begun the construction of new settlements in the connecting corridor, and Jewish immigrants from Europe have been housed in such areas as Ramle and Lydda, which had been inhabited by Arabs. An offensive to gain control of the entire city was prevented primarily by the cost in time and effort that clearing the Old City would impose on the embryonic Jewish state and by the fact that the UN had consistently favored internationalizing the entire Jerusalem area.

Now, however, the Israelis are strengthening their claims in Jerusalem by the simple expedient of building up their vested interests in the area. Recently, the Provisional Government of Israel announced that the Israeli civil administration would replace the Military Governorship of Jerusalem. Moreover, government offices are gradually being transferred from Tel Aviv to Jerusalem, and the forthcoming Constituent Assembly will be held there. These tactics seem designed to prepare the ground for the eventual annexation of at least Jewish-held Jerusalem and thus to present the UN with a fait accompli.

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SECRET**IMPLICATIONS OF SINKIANG AGREEMENT**

Two seemingly unrelated diplomatic maneuvers in China suggest that the Kremlin is attempting to create a buffer area between the USSR and Communist China and that the Nationalist Government is seeking to exploit this Soviet aim as a means to obtain Soviet mediation in the civil war. The Nationalists have sent an emissary to Sinkiang to negotiate a long-term treaty which would greatly strengthen the Soviet position in Sinkiang. Simultaneously, Soviet Ambassador Roshchin followed the Nationalist Government to Canton and thus strengthened the Nationalists' hope that the USSR would mediate the civil war in return for favorable concessions from the Nationalists in Sinkiang.

Conclusion of the reported Sinkiang agreement would be a further step in the establishment of a Soviet Satellite belt along the Sino-Soviet border. The USSR under the Sino-Soviet treaty of 1945 gained a strong position in Manchuria; Outer Mongolia has become a Soviet Satellite and may draw Inner Mongolia into its orbit; and the agreement now being negotiated in Sinkiang would probably lay the groundwork for eventually making that province a Soviet Satellite as well.

Under the proposed terms of the agreement, Sinkiang would grant the USSR mining, trade, and aviation monopolies for the next 40 to 50 years. The mining monopoly would give the USSR full rights to exploit Sinkiang's little-known resources of oil, wolfram, and gold. The oil deposits in Sinkiang are reported to be large enough to supply eventually the entire Soviet Far East and, in addition, the USSR would be in a position to check unconfirmed reports of uranium deposits in Sinkiang. The trade monopoly, under which Sinkiang wool and raw materials would be exchanged for Soviet manufactured goods, would reestablish the natural economic link between Sinkiang and the USSR.

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Conclusion of an agreement which genuinely excluded the Chinese Communists would present them with a serious dilemma. Acquiescence would involve a major loss of prestige as well as substantial territorial and economic reductions. On the other hand, any attempt by the Chinese Communists to denounce the agreement or to wrest control of Sinkiang from the USSR would jeopardize their relations with their one important international ally. Although Soviet action in denying the Northwest to the Communists will increase the possibility of Tito-like defections in China, effective Soviet control of this buffer area will reduce the security risk to the USSR if such Communist defection in China does occur.

Meanwhile, the Nationalist Government stands to gain little from concluding the proposed Sinkiang agreement with the USSR. The life expectancy of the present Chinese Government is certainly not 40 or 50 years and signing the agreement will have little effect on Soviet intentions to mediate the civil war. Acting President Li Tsung, however, may be sufficiently naive and desperate to carry through with the negotiations in the hope that the USSR in return will actually attempt to obtain more favorable peace terms for the Nationalists.

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SECRET**EFFORTS BY THE WFTU TO CONTROL WORLD LABOR**

Recent decisions of the Soviet-reconstituted World Federation of Trade Unions (WFTU) indicate that it is seeking to extend Communist control of the world's labor forces before US, British, and Dutch union leaders can organize a western-oriented labor international. In swift succession, the WFTU has: (1) issued a call for an All-Asiatic Trade Union Conference at Peiping; (2) established 16 "trade departments" which the international craft unions are invited to join on their own terms; and (3) approved immediate admission of German trade unions "zone by zone." The anticipated inclusion of left-wing US and British unions in the new trade departments and the announced WFTU intention of maintaining relations "with trade unions in all countries, with no exceptions" suggest that the USSR will attempt to go over the head of the dissident national organizations and appeal directly to rank-and-file western labor.

Simultaneously, in an attempt to delay early formation of a western labor federation, Soviet labor leaders are seeking to maintain liaison with the British Trades Union Congress "on practically any terms" and, in a similar divisive tactic, are playing up the difficulty of aligning a "reactionary" AFL with any new international. To offset the withdrawal of the three western national organizations, WFTU's Communist leadership will exploit fully both the recent admission of Communist-approved labor groups in Chile, the Philippines, Siam, Southern Rhodesia, Tunisia, and Malta and the continued adherence of the labor movements of Australia, the Far East, and the colonial areas. Such moves will be relied on to reinforce the fiction that the WFTU is the only broadly based and genuinely representative international workers' organization.

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SECRET**DISTRIBUTION**

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10. Assistant Secretary of the Navy for Air
- 11,69. Chief of Staff, U.S. Army
- 12,13,14. Chief of Naval Operations
- 15,16,17. Chief of Staff, U.S. Air Force
18. Director of Plans and Operations, General Staff, U.S. Army
19. Deputy Chief of Staff (Operations) U.S. Air Force
20. Deputy Chief of Naval Operations (Operations)
21. Director of Plans and Operations, U.S. Air Force
- 22,23,24. Special Assistant to Secretary of State for Research
and Intelligence
- 25,26,27,28,29, 30,31,32,33,34. Director of Intelligence, General Staff, U.S. Army
- 35,36,37,38,39, 40,41,42,43,44. Chief of Naval Intelligence
- 45,46,47,48,49. Director of Intelligence, U.S. Air Force
50. Director of Security and Intelligence, Atomic Energy Comm.
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- 52,53,54,55,56. Chief, Acquisition & Distribution Division, OICD, Dept. State
57. Director, Federal Bureau of Investigation
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59. Chief, Policy Planning Staff, Department of State
60. Secretary of State (Attention: Chief, Policy Reports Staff)
61. Deputy Director, Joint Intelligence Group, Joint Staff
- 62,63. Secretary, Joint Intelligence Group, Joint Staff
64. Director, Joint Planning Group, Joint Chiefs of Staff
65. US Air Force Representative on Joint Strategic
Survey Committee
- 66,67. Secretary, State-Army-Navy-Air Coordinating Committee
68. Administrator, Economic Cooperation Administration

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